

Message Text

PAGE 01 STATE 081282
ORIGIN EB-08

INFO OCT-01 EUR-12 ISO-00 SOE-02 AID-05 CEA-01 CIAE-00
COME-00 DODE-00 DOE-15 H-01 INR-10 INT-05 L-03
NSAE-00 NSC-05 OMB-01 PM-05 USIA-06 OES-07 SP-02
SS-15 STR-07 TRSE-00 ACDA-12 AF-10 ARA-10 EA-10
NEA-10 /163 R

DRAFTED BY DOE:PBORRE:EB/ORF/FSE:GAROSSEN:CJR

APPROVED BY EB/ORF/FSE:GAROSSEN

-----037568 301033Z /16

P 300102Z MAR 78

FM SECSTATE WASHDC

TO AMEMBASSY PARIS PRIORITY

LIMITED OFFICIAL USE STATE 081282

FOR USOECD

E.O. 11652: N/A

TAGS: ENRG, FR

SUBJECT: CHAIRMAN'S NOTE ON COAL

PLEASE TRANSMIT FOLLOWING NOTE TO SECRETARIAT (KELLY OR
GRADIN) AS SOON AS POSSIBLE:

CHAIRMAN'S NOTE ON COAL

1. THE SECRETARIAT'S DRAFT STUDY IS A VERY TIMELY EFFORT:
THE OCTOBER 1977 MINISTERIAL DECISION, THE COAL PRINCIPLE
WITHIN THAT DECISION, AND THE SUPPORTING ELEMENTS FOR
THE COAL PRINCIPLE DEVELOPED BY THE SUB-GROUP ON
ACCELERATED DEVELOPMENT HAVE SET THE STAGE FOR DEVELOPING
MORE CONCRETE RECOMMENDATIONS TO SUPPORT INCREASED
LIMITED OFFICIAL USE
LIMITED OFFICIAL USE

PAGE 02 STATE 081282

UTILIZATION OF STEAM COAL BY MEMBER COUNTRIES.
MOREOVER, THE 1977-1978 CYCLE OF COUNTRY REVIEWS HAS
PROVIDED UP-TO-DATE INFORMATION ON TRENDS IN COAL
UTILIZATION, AND FUEL SUBSTITUTION POLICIES.

2. THE MAJOR FINDINGS WHICH HAVE EMERGED TO DATE FROM
THE SECRETARIAT'S DRAFT, AND FROM THE EFFORTS OF THE
SLT AND ITS SUB-GROUP ON ACCELERATED DEVELOPMENT IN
THIS AREA, ARE AS FOLLOWS:

(A) COAL HAS THE RESOURCE AND ECONOMIC POTENTIAL TO CONTRIBUTE IN A SUBSTANTIAL WAY TO ENERGY BALANCES IN MANY MEMBER COUNTRIES, PARTICULARLY BY THE LAST DECADE OF THIS CENTURY; FOR THESE COUNTRIES, COAL REPRESENTS A SUPPLY OPTION THAT HAS MERIT IN ITS OWN RIGHT, INDEPENDENTLY OF ITS FUNCTION AS A BACKSTOP FOR OTHER ELEMENTS OF NATIONAL ENERGY PROGRAMS.

(B) UNDER A HYPOTHESIS OF CONSTANT REAL OIL PRICES THROUGH 1985, AND AN ASSUMED REAL INCREASE OF 2.5 PERCENT P.A. THEREAFTER, COAL IS A FUEL WHICH GENERALLY HAS AN ECONOMIC ADVANTAGE OVER OIL FOR POWER GENERATION AND PROCESS HEAT APPLICATIONS; THE CURRENT SOFTNESS IN HEAVY FUEL OIL PRICES IS JUDGED TO BE A TEMPORARY, LOCALIZED PHENOMENON. IN SOME MEMBER COUNTRIES, HOWEVER, THERE ARE PARTICULAR CONDITIONS RELATING PRIMARILY TO LOGISTICS AND SPECIAL ENVIRONMENTAL SAFEGUARDS WHICH MAY MAKE COAL UNCOMPETITIVE WITH ALTERNATIVE FUELS, OR ONLY marginally ATTRACTIVE.

(C) ALTHOUGH THERE ARE SOME UNCERTAINTIES, IT APPEARS THAT IN GEOLOGICAL TERMS THE RESOURCE AND RESERVE BASE FOR A PROGRAM OF SUBSTANTIALLY-INCREASED STEAM LIMITED OFFICIAL USE
LIMITED OFFICIAL USE

PAGE 03 STATE 081282

COAL UTILIZATION THROUGH THE END OF THIS CENTURY IS IN PLACE, OR CAN BE ASSUMED TO BE DEMONSTRATED WITHOUT GREAT DIFFICULTY.

(D) RECOGNIZING THE IMPORTANT ENVIRONMENTAL CONSIDERATIONS RELATING TO INCREASED COAL UTILIZATION, THE MOST PROMISING CONTRIBUTIONS TO INCREASED COAL UTILIZATION FROM R AND D PROGRAMS WILL PROBABLY COME FROM IMPROVEMENTS IN THE CLEAN-BURNING PROPERTIES OF COAL, RATHER THAN FROM BREAKTHROUGHS IN ADVANCED CONVERSION TECHNOLOGIES SUCH AS GASIFICATION AND LIQUEFACTION; NONETHELESS, EFFORTS IN CONVERSION TECHNOLOGIES ARE NEEDED FOR THE LONGER TERM.

(E) IT IS DIFFICULT TO GENERALIZE ON THE RELATIVE ECONOMIC ATTRACTIVENESS OF STEAM COAL AND NUCLEAR POWER FOR FUTURE ELECTRICITY GENERATION SINCE THE COMPARISON DEPENDS ON MAKING A JUDGMENT ON A NUMBER OF UNCERTAINTIES; MOREOVER, CIRCUMSTANCES VARY CONSIDERABLY AMONG THE MEMBER COUNTRIES. WITHIN MANY MEMBER COUNTRIES, ON A FULLY COSTED BASIS COAL HAS AN ECONOMIC ADVANTAGE OVER NUCLEAR POWER; IN OTHERS, THE SITUATION MAY BE REVERSED, OR ROUGHLY IN BALANCE. COAL IS, IN ANY CASE, LIKELY TO PROVIDE A DESIRABLE COMPLEMENT TO OTHER SOURCES OF ENERGY.

(F) CONCERNING THE VOLUME POTENTIAL FOR COAL UTILIZATION IN THE LONGER TERM, IT APPEARS THAT BECAUSE OF FACTORS SUCH AS ENVIRONMENTAL PROTECTION, LEAD-TIMES IN PRODUCTION AND GENERATING FACILITIES, INERTIA OF EXISTING PROGRAMS AND PLANS, AND GENERAL UNFAMILIARITY IN INTERNATIONAL TRADE WITH STEAM COAL AS A COMMODITY, THE BUILD-UP OF ANY SIGNIFICANT FURTHER STEAM COAL UTILIZATION WILL BE RELATIVELY MODEST IN THE 1980S; IT IS IN THE DECADE OF THE 1990S THAT THE MOST SUBSTANTIAL EFFECTS COULD BE REALIZED. HOWEVER, TO LIMITED OFFICIAL USE
LIMITED OFFICIAL USE

PAGE 04 STATE 081282

BRING ABOUT THESE EFFECTS, THE BASIS FOR SUPPORTING POLICIES HAS TO BE DEVELOPED SOON, GIVEN THE LEAD-TIMES, INERTIAS AND CONSTRAINTS.

(G) A CONSIDERABLE ABSOLUTE INCREASE IN COAL CONSUMPTION IN THE ELECTRICAL SECTOR IS PROJECTED BY MEMBER COUNTRIES BUT THERE IS A RISK WITH SOME MEMBER COUNTRIES THAT OIL CONSUMPTION FOR ELECTRICITY WILL ALSO GROW CONSIDERABLY. ANALYSIS TO DATE HAS CONCENTRATED ON THE EXTENT TO WHICH FURTHER INCREASES IN COAL-FIRED GENERATION MIGHT BE POSSIBLE AS AN ALTERNATIVE TO NEW BASE LOAD OIL-FIRED UNITS. THE VOLUME POTENTIAL FOR INCREASED COAL CONSUMPTION IN THE INDUSTRIAL SECTOR PRESENTS A MUCH MORE COMPLICATED PICTURE THAN IN THE ELECTRICITY SECTOR; MEMBER COUNTRY GOVERNMENTS SHOULD ASSESS CAREFULLY THE FUTURE POTENTIAL FOR COAL UTILIZATION IN INDUSTRIAL APPLICATIONS, PARTICULARLY IN THE LONGER TERM.

(H) ON THE PRODUCTION SIDE, THERE IS CONSIDERABLE ANALYSIS ON THE OUTPUT AND NET EXPORT POTENTIAL IN THE UNITED STATES; HOWEVER, BETTER INFORMATION IS NEEDED ON OTHER POTENTIAL IEA AND NON-IEA SUPPLY SOURCES, AND ON MARITIME AND INLAND TRANSPORTATION COSTS SINCE THESE CAN BE A SIGNIFICANT ELEMENT OF DELIVERED PRICES.

(I) THERE ARE WELL-KNOWN ENVIRONMENTAL ISSUES RELATING TO PRODUCTION, TRANSPORTATION AND CONSUMPTION THAT NEED TO BE ADDRESSED CAREFULLY, UNDER PROJECTIONS OF SUBSTANTIAL INCREASES IN COAL UTILIZATION, BECAUSE OF THE POTENTIAL ADVERSE EFFECTS FROM A SIZEABLE BUILD-UP OVER TIME.
LIMITED OFFICIAL USE
LIMITED OFFICIAL USE

PAGE 05 STATE 081282

3. THERE IS A FORMIDABLE NUMBER OF CONSTRAINTS WHICH

MAY INHIBIT SUBSTANTIAL INCREASES IN COAL UTILIZATION AND TRADE. FROM A BROAD PERSPECTIVE, THE CONSTRAINTS CAN BE IDENTIFIED IN THREE BASIC AREAS; COAL CONSUMING COUNTRIES, COAL PRODUCING COUNTRIES AND COAL

INFRASTRUCTURE SYSTEMS; THE MAJOR CONSTRAINTS WHICH HAVE BEEN IDENTIFIED TO DATE ARE AS FOLLOWS:

(A) AMONG CURRENT POTENTIAL COAL CONSUMING COUNTRIES THE FUTURE POTENTIAL FOR COAL AS A PRIMARY FUEL FOR INDUSTRIAL AND ELECTRICAL POWER HAS NOT BEEN FULLY RECOGNIZED.

(B) UNCERTAIN AND CONFLICTING FORECASTS OF THE RELATIVE COSTS OF COAL, NUCLEAR AND OIL-FIRED FACILITIES, INCLUDING THE RELATED SAFETY AND ENVIRONMENTAL ASPECTS, MAY HAVE CREATED DOUBTS ABOUT THE ECONOMIC MERITS OF COAL.

(C) THE RELUCTANCE OF ELECTRIC UTILITIES AND INDUSTRIAL PLANTS TO REFIT EXISTING AND REPLACE PROPOSED NEW OIL-FIRED PLANTS WITH COAL-FIRED FACILITIES IS ANOTHER OBSTACLE; CONVERSIONS COULD BE ENCOURAGED BY FISCAL MEASURES, AND BY REGULATORY POLICIES PROMOTING THE INTRODUCTION OF COAL-FIRED CAPACITY.

(D) THERE IS NO INSTITUTIONAL MECHANISM TO FACILITATE IEA AND WORLD LONG-TERM TRADE IN STEAM COAL; LONGER-TERM WORLD COAL TRADE WILL INCREASE TO THE EXTENT THAT COMMITMENTS FOR INCREASED COAL UTILIZATION ARE SUPPORTED BY CONSUMER AND PRODUCER POLICIES, WITHIN AN INTEGRATED FRAMEWORK.

(E) ENVIRONMENTAL STANDARDS, THEIR INTERPRETATION AND LIMITED OFFICIAL USE
LIMITED OFFICIAL USE

PAGE 06 STATE 081282

IMPLEMENTATION HAVE HAD A MAJOR E
<< END OF DOCUMENT >>

Message Attributes

Automatic Decaptioning: X
Capture Date: 26 sep 1999
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: DOCUMENTS, TEXT, INDUSTRIAL DEVELOPMENT, MINING, COAL
Control Number: n/a
Copy: SINGLE
Draft Date: 30 mar 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978STATE081282
Document Source: ADS
Document Unique ID: 00
Drafter: DOE:PBORRE:EB/ORF/FSE:GAROSSEN:CJR
Enclosure: n/a
Executive Order: N/A
Errors: n/a
Expiration:
Film Number: D780137-1310
Format: TEL
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t197803126/baaafcgj.tel
Line Count: 202
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, TEXT ON MICROFILM
Message ID: a76e5ebb-c288-dd11-92da-001cc4696bcc
Office: ORIGIN E
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 05 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3167374
Secure: OPEN
Status: NATIVE
Subject: CHAIRMAN'S NOTE ON COAL
TAGS: ENRG, FR
To: PARIS
Type: TE
vdkgvwkey: odhc://SAS/SAS.dbo.SAS_Docs/a76e5ebb-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014